1:Stanford U. S-4, 5 1956 AF15 East China
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167 The Communists calculate that family dependents in Fukien of overseas migrants number two million.[51]

595 596 Before the Japanese invasion of China, the family in these overseas communities was similar in solidarity, values, and social role to the family elsewhere in China, but unique in that often the male head was separated from his wife and their children for most of his adult life. If he could afford it, he would maintain a concubine and a separate family in the overseas community Although it was usual for the children of this overseas union to be sent to China for their education and to share in inheritance of family property, the concubine rarely came with her Chinese mate when he returned to his native village.[52]

434 596 During the absence of the male head from his Chinese home, his wife usually acted as head of the household. She and her children were supported in great part by funds periodically remitted from abroad by the male head, and she had control of the dispersion of this and other

51. S.C.M.P., 1024, p. 13.

52. Ta Chen, Emigrant Communities in South China: A Study of Overseas Migration and Its Influence on Standards of Living and Social Change, ed. by Bruno Lasker, N. Y., Institute of Pacific Relations, 1940, pp. 140-43.

1:Stanford U. S-4, 5 1956 AF15 East China
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family income derived from labor or property in the home village. The usual source of income at home was from agriculture.[53]

Although the economic status of emigrant families ranged from poor to wealthy, the overseas communities were on the whole wealthier than non-emigrant neighboring villages. The excess of the wealthier families' dual income was largely invested in land and houses.[54] When the Communist took over the area, they were faced with the problem of what attitude ought to be taken toward these landlord families whose income from abroad was a vital source of foreign exchange for the government.

Evidently, no special privilege or status was initially allowed members of these families, and their real property was expropriated on the same basis as that of any other element considered to be exploitive by the regime. On the other hand, the government exerted every effort to influence members of overseas families to write letters to their relatives abroad, setting forth the benefits of land reform and Communist reconstruction in order to woo overseas sympathy and investments in every way possible.[55]

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53. Ibid., pp. 58-85, 106-23.
54. Ibid., p. 110.
55. C.B., 211, p. 40.

1:Stanford U. S-4, 5 1956 AF15 East China
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475 438 that some 52.3 per cent of all private wholesalers would have been transformed during the first six months of 1955.

VII. FOOD RATIONING AND GRAIN TRADE

434 Rationing was first applied to food grains on November 19, 1953, in a government order for the enforcement of "planned purchase and planned supply of grains," designed to secure foods required for people's livelihood and national construction and in order to stabilize food prices and eliminate food profiteering. Under this order, all businesses engaged in the sale of grain or other essential foodstuffs were, in principle, to be taken over by the state, which would determine rations and fix the official purchasing price as well as the retail selling price of various kinds of grains.[44]

In order to facilitate the work of rationing in all cities, industrial and mining districts, and in rural areas where grain is not produced in surplus, state grain markets were set up throughout the whole country. As of July 1954,

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44. Far Eastern Economic Review, Hong Kong, May 12, 1955, No. 19, p. 604.

1:Stanford U, S-4, 5 1956 AF15 East China
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434 there were 6,010 primary grain markets in the East China Region.[45] After the establishment of state grain markets, all private wholesale or retail grain shops were either liquidated or "transformed" under state guidance. In Shanghai, since December 28, 1953, some 1,498 retail grain shops have been reorganized into agencies of the state grain markets.[46]

Due to flood and drought in 1953 and 1954, the actual production of grains was insufficient to meet local demands. The system of rationing is chaotic and has caused discontent among urban and rural people. In the rural districts, the implementation of the "San-ting" policy, i.e., the fixing of production, purchase, and supply quotas, results in great dissatisfaction among the peasants, who cannot fulfill the requirements set up by the Communist cadres. In numerous cases little grain was left to the producing farmer, who found it
434 impossible to feed himself and his family. The
166 mass exodus of peasants to the cities began early in 1953. It is estimated that from 800,000 to

45. China Weekly, Hong Kong, Jan. 10, 1955, No. 106, p. 38.

46. China Weekly, Hong Kong, April 12, 1954, pp. 12-14.

434 1,000,000 peasants have migrated to the
166 Shanghai area since 1953 and further aggravated the urban rationing situation.[47] The Back-to-the-Villages Campaign began in the second half of 1955, and about one million people were sent back to the rural areas from Shanghai in order to lessen the burden of grain rationing in Shanghai and in order to increase agricultural production.[48] In the urban areas the per capita ration has been too small to maintain minimum living standards.

434 Many restrictions are imposed relating to the purchase and transportation of grains and other essential food items. In the early part of 1955, the Shanghai People's Government promulgated "Provisional Measures for Control of Outward Transport of Grains and Reprocessed Foods."[49] There are nine provisions in this new order and its essential points are: (1) grains, including miscellaneous grains, grains of oil-bearing crops, and uncooked foods processed from grains may not be smuggled from Shanghai; cooked foods and products such as bean curd totaling less than five catties (5.5 pounds) are allowed to be carried out for personal use; (2) upon approval

47. Chieh-fang Jih-pao [Liberation Daily], Shanghai, July 31, 1955.
48. Ibid.
49. Ibid., March 26, 1955.

434 of the state grain agencies, a certain amount of uncooked, cooked, or reprocessed food may be peddled by merchants; (3) Shanghai factories, retailers, and stall vendors dealing in grains or processed food may carry on their business within the prescribed sphere, subject to arrest if they engage in smuggling or black marketing. Violations will be severely punished.

The recently announced "Temporary Measures Governing the Fixed Quantitative Supply of Grains in Urban Areas," on August 25, 1955, imposes a tighter control over grain rationing.[50] According to the new ruling, the amount alloted each individual is determined by the nature of his profession and the degree of physical energy needed in his particular work. For example, in the East China Region, where rice is used as the principal food, the per capita monthly ration is stipulated as follows: (1) persons who do very heavy physical work are allowed 50 catties (55 pounds) of rice; (2) persons who do heavy physical work are allowed 40 catties (44 pounds) of rice; (3) persons who do lighter physical work are allowed 32 catties (35.2 pounds) of rice; (4) government office employees, clerks, and the

50. China Daily News, New York, Sept. 2, 1955.

1:Stanford U. S-4, 5 1956 AF15 East China
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434 staff of state and private industrial and commercial enterprises, and other persons who do no manual labor are allowed 28 catties (30.8 pounds) of rice; (5) university and high school students are allowed 32 catties (35.2 pounds) of rice; (7) children under ten years will be divided into three grades to determine the amount each will receive. Free disposal of the surplus grains among themselves is permitted under the new regulation. Meats, eggs, and vegetables are not rationed at this time. In addition to grains, edible oil and cotton cloth have been rationed since 1950.

434 146 For the purpose of determining whether this system of rationing is adequate, it is necessary to appraise it in terms of caloric content. Using 3,430 calories for each kilogram of rice (two catties or 2.2 pounds) as the basis for calculation,[51] the daily caloric equivalent is shown in the table which follows.

51. T. H. Shen, Agricultural Resources of China, New York, 1951, p. 378.

1:Stanford U. S-4, 5 1956 AF15 East China AF15

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Caloric Value of Rice Rations in Communist China*

Class of Workers	Quantity Rationed			Normal Caloric Requirements per Day (II)	Percentage of Deficiency $\frac{II-I}{I}$ = %
	Catties per Month	Pounds per Month	Caloric Equivalents per Day(I)		
Extra Hard Worker	50	55	2,860	4,800	68
Hard Worker	40	44	2,290	3,600	57
Ordinary Worker	32	35.2	1,830	3,000	64
Office Clerks	28	30.8	1,600	2,700	69
College or High School Students	32	35.2	1,830	3,000	64
Ordinary citizens and children above 10 years of age	25	27.5	1,430	2,400	68

* T H. Shen, Agricultural Resources of China, New York, 1951, p. 169.

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146 It is evident that the amounts of rice rationed to various classes of workers are far below normal requirements as measured in terms of calories. With rice in short-supply, the people are often unable to buy their minimum ration.

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443 Since 1951, in order to stimulate trade and to facilitate the interflow of commodities between city and country, the Chinese Communists have held a number of "Native Products Fairs" in most of the principal cities throughout East China.

[See table next page. -- Analyst]

465 piece rates) per month.[28]

the workers of Communist China were told to increase production, but an increase in earnings lagged far behind the increase in production. In the case of the Huai-nan Coal Mine, gross earnings increased only 30 per cent in 1952 above earnings in the previous year, and this was at a time when the industrial output of local and private enterprises had been doubled. Average labor productivity in the East China Region in the first six months of 1952 was reported to be 169 per cent above that of 1949.[29]

434 The Chinese Communists assert that the
465 increase in earnings is reflected in the increase of purchasing power and the standard of living. In East China, purchasing power in 1952 was reported to be 40 per cent higher than in 1950.[30] In Shanghai, the supply of consumer goods in 1952 was more than twice that of 1951. In Nanking, the volume of retail business in the first months of 1952 was 44 per cent higher than the volume reported for the corresponding period in 1951.[31]

454 It is true that the earnings of Chinese work-
465 ers have increased since 1952, but gross income

28. Basil Davidson, Daybreak in China, London, 1953, pp. 100-106.

29. Ibid., pp. 84-85.

30. Economic Bulletin, Hong Kong, February 24, 1953, p. 10.

31. Ibid., September 8, 1953, p. 6; Oct. 20, 1953, p. 2.

2: Murphy G-4 (no date) 1953 AF15 East China AF15

Cotton production is gradually increasing, and the expectation is that within the next two or three years enough will be available domestically (mainly in the delta area) to occupy Shanghai's full textile potential, which is still the largest of any city in the country.

Much shuffling around of the industrial pattern has resulted from government regulations on the types of manufacturing which may be licensed and may obtain the necessary power and supplies. During 1950 nearly 500 "factories" closed down, through financial failure and through inability to obtain licenses because they were considered non-essential under the new regulations. Most of the casualties were presumably small-scale manufacturers operating in private houses, who were before the war engaged in a great variety of production, mostly of consumers' goods. Many of these have since reopened, but in different production lines more in keeping with the government's new policy, and for which a market is available under the current austerity program. The government has for example refused reopening licenses to tobacco manufacturers, restaurants, hotels, and funeral establishments.[5]

The problem most frequently referred to in Chinese reports on economic Shanghai since 1949 is that of keeping pace with increased rural demand and rural purchasing power. This may be designed as an advertisement of the accomplishments of the land reform program in raising rural living standards, but it is repeatedly stated that industrial production in the city runs behind the demand in the country. Industries in the city showing the greatest profits during this period have been those producing light consumers' goods for which there is a ready local market. Dyeing leads the list, since the delta peasants are now sufficiently well off, if one may take the published reports at face value, to buy colored and printed clothing made in Shanghai. Western-type medical supplies are also listed, which would indicate a revolution indeed in the *mores* and income of the Chinese peasant. One report gives as an example of increased

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of cotton textiles for China as a whole in 1950 and in the first six months of 1951 was between 20 and 30 per cent greater than the pre-1937 peak, domestic production of raw cotton is still inadequte to meet the demands of the textile industry. For an earlier post-war report, see Shen Wen-fu, The Increase in Cotton Production, (1948).

2: Murphy G-4 (no date) 1953 AF15 East China AF15

434 rural purchasing power the large domestic sale of Shanghai-made thermos bottles, and others cite the increasing domestic demand for flashlights, soap, and stationery made in the city.[6] Times have changed. Among the heavier industries, cement and machinery production in Shanghai also lag behind demand,[7] as might be expected in view of the general shortage of such production over China as a whole and of the ambitious industrialization program of the Communist Government. Apparently, if these reports can be accepted, Shanghai need not be concerned for domestic markets despite the closing of its normal sea routes.

656 Earlier Communist talk of moving industry out of Shanghai (see above, pp. 27–8) has tended to disappear. During 1949 and early 1950 some small cotton textile factories were moved to Tientsin and Hankow, and a few other small manufacturing plants to Tientsin and Tsingtao (including a bicycle works, a printing establishment, and a furniture plant). These were minor removals, and no plans were made to move any of the larger factories or the heavier industries. Occasionally during this period there were general remarks in official speeches and news reports encouraging commercial enterprises to go out into the countryside, and encouraging Shanghai workers to help with the industrial reconstruction program in Manchuria, but more recently the prevailing attitude has been one of pride in Shanghai and enthusiasm for its own program of recovery. Criticism was natural while the Communists were on the outside looking in, but now that the new regime is in full control, and has full responsibility, it is more clearly aware of Shanghai's vital importance, and more clearly aware as well that no other location in China offers equal advantages for the kind of manufacturing which has grown up in the city and which the government is now trying desperately to maintain.

000 In future, a measure of Shanghai's advantage may disappear as railways bind the Chinese economy more closely together and as light and heavy industrial production continues to grow in Manchuria and north China where raw materials are close at hand. The coal and iron reserves of Shansi may also in time support a major industrial development there, as part of a thoroughly commercialized economy based on a mature railway system. Hankow and the three

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CHAPTER IV

ECONOMIC AND SOCIAL ASPECTS OF EMPLOYMENT

465 THE WAGE LEVELS IN modern industry in Shanghai during its early decades were influenced by those ruling in small-scale enterprises during the pre-industrial era and by the general level of earnings in the countryside. Since these were low, the earnings of a principal wage earner in large-scale industry have never been sufficient for the needs of his family. This situation can be traced partly to the existence of a superabundance of labour supply. Considering the comparatively small cost of maintaining the low standard of living of workers' families in pre-hostility days, it would seem not to have been essential that modern industry should thus have developed on wages in general too low for the family needs.

458 In view of the severe inflation which by 1942 had so greatly affected the lives of the Chinese people whether in occupied or free China, it is fortunate that a most comprehensive and basic study of the cost and standard of living of Shanghai workers exists which was based upon budgetary enquiries over the twelve months, April 1929 to March 1930, and was conducted by the Bureau of Social Affairs of the City Government of Greater Shanghai. The study made use of the daily recorded incomes and expenditures of 305 families whose heads were manual workers.[1]

162 The average size of the family was found to be 4.62 persons, the equivalent of 3.28 male adults. The average number of gainfully employed persons was 2.06 per family. The significance of this figure will be understood when the family income is analysed.

465 The average annual income of the families studied was $416.51.[2]
434 Of this amount, however, the study showed that the combined
511 earnings of all family members comprised only 87.3 per cent. The

[1] The study necessitated visits by investigators to families every day for a whole year, since many were unable to record expenditures. A sample re-study was undertaken is the last months of 1941 and the beginning of 1942.

[2] All dollar figures, except where otherwise stated, refer to Chinese National Currency. The Japanese-supported Nanking regime instituted Central Reserve Bank notes in 1941 which in 1942 were declared only legal tender in Shanghai, displacing Chinese National currency at the rate of CNC $2.00 to CRB $1.00.

3: Hinder G-5 (1933-1942) 1944 AF15 East China AF15

earnings of the principal wage earner provided only 53.3 per cent, other members contributing 34 per cent. An amount of 12.7 per cent had to come from other sources. It is thus obvious that the earnings of a principal wage earner were but a relatively small part of the family income, and that the earnings of a least a second member of the family were needed. In addition to the earnings of both of these, financial support from relatives and friends had to be sought, or borrowing from moneylenders was necessary; otherwise income had to be obtained from such activities as peddling or sub-letting rooms.

The average family expenditure was $454.38, leaving an average annual deficit of $37.87. If income from wages earned by all family members only is considered, disregarding income from other sources, the average annual deficit was found to rise to $121.23. The excess of the family expenditure over the income of the principal wage earner was greater still. Working-class families, it goes without saying, spend extremely carefully; the majority of their expenditures are for basic needs.

It may be assumed that the 1929-30 standard of living remained virtually unchanged until the end of 1936, the last normal year before Sino-Japanese hostilities. The cost of living index (1926—100) was at 101.98 in 1929, 116.79 in 1930, and 105.04 in 1936. In other words, costs in 1936 were approximately what they had been in 1926, and below the 1930 level.

The outbreak of hostilities in August 1937 affected extensively the livelihood of the workers. The 1926 base period of the index, being remote in time, ceased to be significant, and in 1938 the index was recalculated on a 1936 base. Changes in living costs were somewhat slow to appear since not until August 1939 did the index figures show the cost to be double what it had been in 1936. Thereafter, however, changes were rapid. Certain basic foods disappeared from the markets. By the beginning of 1940, *sien mee*, a popular native rice, was no longer procurable, and second-grade Saigon rice replaced it as the people's food. *Kan mee*, a non-glutinous Chinese rice, reached the Shanghai markets only in small quantities and at high prices. Finally, in February 1941, orders for Saigon rice could not be placed in Indo-China, and Saigon rice in turn was replaced as the workers' food in May 1941 by Rangoon rice imported via Hongkong by the Settlement

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NEW INDEX OF COST OF LIVING OF CHINESE WORKERS

	CNC	Purchasing Power of Dollar (cents)	CRB	Purchasing Power of Dollar (cents)
March	1781.60	5.61	1768.42	5.65
April	2211.67	4.52	1702.98	5.87
May	2663.21	3.75	1844.54	5.42
June	3870.48	2.58	1935.24	5.17
July	——		2163.51	4.62

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The re-study of the standard of living of Chinese workers indicated that a change had taken place in the distribution of sources of income. The principal wage earner was found to bring in 66.28 per cent of the family income as against 53.3 per cent in 1929-30. Earnings of other members of the family were proportionately less, being only 13.21 as against 34 per cent in 1929-30. The earnings of all family members were still insufficient: 20.51 per cent of the family income had to come from other sources as against 12.7 per cent in 1929-30. It is certain that much of this additional "income" had to be obtained from borrowing at high interest. A typical example of the external borrowing is given on pages 48, 49.

Once again the study showed, as had the original study of 1929-30, that the total family income from all sources, including borrowing, fell short of the total family expenditure. The number of family members was slightly larger than shown in the former study, 5.02 persons, or 4.41 consumption units as against 4.62 persons or 3.28 consumption units in 1929-30.

What in terms of actual cash did the rise in the cost of living mean to workers' families? This can perhaps be shown by costing out certain basic commodities and services whose price movements were followed month by month to produce the index figures quoted above. Into the New Index calculations there enter 54 items, the most important in the budgets of workers' families. These include 27 food items, nine in the housing group which embraces rent, fuel, etc., eleven clothing items, and six in the miscellaneous group. To buy these items in 1936 would have cost $27.71. The average family spent more than this each month. Expenses incurred through sickness, birth, death, marriage and for many other reasons must be met, but cannot be computed regularly to produce index figures.

To meet the $27.71 which the indexed commodities and services

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cost in 1936, the principal wage earner would have had to earn 53.3 per cent, or $14.76 per month. A second member would have had to earn 34 per cent, or $9.42. Elsewhere $3.53 or 12.7 per cent would have to be found. These earnings were possible in 1936. Even unskilled male workers in textile plants, a low-paid industry, earned $16 a month. True, even then the gap between earnings and the total family income needed was wide and necessitated borrowing. But when costs rose, when the index figure of July 1942 was 2,163.51 with prices expressed in Central Reserve Bank Notes, income necessary for the maintenance of a family exceeded what most industries which continued to operate could pay. A principal wage earner would have had to earn CRB $325.32. A second wage earner, always assuming that work could be found, had to bring in CRB $65.31, and other income chiefly from borrowing and amounting to CRB $100.79, had to be found. Since few workers could in July 1942 muster this sum, though founded on standard of expenditure as recent as December 1941-January 1942, it was obvious that the standard of living even for those workers who continued to be employed was still declining. A careful calculation of the minimum needs of a family in July 1942 showed that CRB $426.54 was needed, with a principal wage earner producing $282.375. Since few workers would reach even this standard it follows that a considerable proportion of the community was living below subsistence standards.

In the months that have elapsed since the middle of 1942 the situation has, from all available evidence, still further deteriorated. Accurate figures are lacking. The misery was so great that it seemed it could not be worse. Yet an even greater cost has been exacted of a long-suffering people.

CONSIDERATION OF THE figures given above shows clearly that the basis of remuneration of workers by which the principal wage earner did not earn enough for the needs of his family so that other income must be obtained through the efforts of other members of the family and from other sources was unsatisfactory.[4]

[4] The question will of course be asked, "How does the family live?" The answer is, to use the words of a Chinese observer, "By moving the debts." Short-term loans at high interest successively added to by others are contracted. The following is the load position of one low-paid employee who borrowed eight times in three years:

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Discrepancies between earnings and costs tend to become aggravated when living costs rise. The difference between what a principal wage earner could earn and what it cost his family to live became so wide that a serious lowering of living standards inevitably resulted.

To help to check the inflationary tendencies which from 1938 onward appeared, wage levels should in theory not have been permitted to rise. Instead, price levels should have been fixed and spending sharply reduced. The currency of the Settlement was that of the Chinese government faced with fighting a long war. With the provinces near Shanghai in Japanese military control and there being, for a long time after the withdrawal of the Chungking authorities from Nanking virtually no government in the area, there was no possibility of such organised measures being put into effect. With rising living costs the only alternative, therefore, was to raise earnings standards, though admittedly this contributed to further price rises. Moreover, it is one thing to limit spending in a country where there is a margin which can be eliminated and another to do so at the risk of seriously reducing the standard of living. In Shanghai where workers must spend all of their earnings and more on basic necessities, to limit spending presented, to say the least, a difficulty.

Studies of wages and earnings in 1941 show that industry, both foreign-owned and Chinese-owned, attempted to bridge the gap between rising living costs and what the pay envelope contained. On a 1936 base of 100, the earnings index of Chinese-owned plants in 1941 stood at 457.65, an increase of almost 100 over the earnings index of 242.65 in 1940. In foreign-owned plants the earnings index was 465.54 in 1941. Though slightly below the earnings index of Chinese-owned plants, the money earnings in foreign-

Creditor	*Amount of loan*	*Interest*	*Currency of loan at time of enquiry*
A Sikh	$20	$2 per month	30 months
A friend	50	5 "	24 "
A woman	30	2 "	24 "
A widow	25	1.50 "	12 "
		Principal and Interest	
A liftman	15	$6 per month	6 months
A fellow worker	15	6 "	5 "
A chauffeur	15	6 "	3 "
A chauffeur	20	8 "	2 "

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owned enterprises were considerably higher. Calculated upon the July 1941 Revised Index of cost of living of Chinese workers, the real wage index was 53.64 in 1941 and in foreign-owned plants 53.39. That the real wage position was not worse was due to the sincere efforts of industry to make as substantial adjustments as possible. The following table shows the real wage indices in Chinese-owned plants since 1930.

INDICES OF ACTUAL EARNINGS, COST OF LIVING (REVISED), AND REAL WAGES 1930-1940[5]

New Base: 1936=100

	1930	*1931*	*1932*	*1933*	*1934*	*1935*
Actual earnings	106.95	107.34	106.08	103.21	98.10	90.49
Cost of living (revised)	108.75	106.63	100.64	92.32	92.52	93.45
Real wages	98.34	100.67	105.41	111.80	106.03	96.83
	1936	*1937*	*1938*	*1939*	*1940*	*1941*
Actual earnings	100.00	84.83	92.38	119.09	242.47	467.65
Cost of living (revised)	100.00	119.09	155.28	202.99	430.61	871.89
Real wages	100.00	71.23	59.49	58.67	56.31	53.64

The index figures of cost of living of Shanghai workers, as earlier stated, were based upon the work of the former Shanghai Chinese City Government, whose continuance the Council assured after that Government's withdrawal following 1937 hostilities. It was not clearly seen, at the end of 1937, that these figures would assume importance in subsequent years when declining dollar values destroyed previous earnings standards. The regular monthly publication in the press and in the *Gazette*, official publication of the Council, of amounts in dollars which must be available to cover the family's living cost proved useful in helping in adjustments of earnings. The Division was consulted on many occasions by both Chinese and foreign employers and asked to make concrete recommendations as to the actual amounts which should be paid.

In addition, the work of mediation in industrial disputes which was a regular activity of the Division was important in assisting wage adjustments. While some employers forestalled otherwise inevitable labour disputes, anticipating them through raising earnings when significant rises in living costs appeared, others, perhaps in some cases in less satisfactory financial situations, and unable

[5] Indices derived from the "New" Index based on December 1941-January 1942 studies, were not available in August 1942, the date of last contact with Shanghai.

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465 powers, such services of advice, consultation, presentation of facts
633 and voluntary mediation are important functions of the administrative authorities. With the full powers that the Chinese authorities will exercise in future in re-occupied Shanghai it is hoped they will be able to build upon the foundations already laid.

439 Shanghai was a city of large trading interests before it attained
463 significance as a manufacturing centre. It was still, at the outbreak
465 of Pacific hostilities, an important commercial city with a large export trade despite the severance of the Yangtse Valley trade after 1937. It was, prior to December 1941, the banking centre of China. After 1937 it was an important educational centre to which universities and middle schools from provincial cities had come when Sino-Japanese hostilities caused their withdrawal. There was therefore a large professional class in the community—professors, teachers, doctors, lawyers. The question of what happened to their livelihood is as significant as is the fate of the workers' economy.

A study of the standard of living of Chinese salaried employees was made in October-December 1941. So excellent a response to the request for the keeping of detailed information was made that, out of 1038 families responding, 441 perfect records were available. Originally it was intended to limit records to families with incomes below CNC$1000, but those with incomes beyond this amount so readily supplied information that the limit was waived. The majority of incomes were between CNC$500 and $1500. A Provisional Cost of Living Index was developed by May 1942 from the records of 100 families to meet the immediate need for a criterion to judge the situation in which Chinese salaried employees found themselves.

162 The average salaried family was found to be larger than the worker's family—6.60 persons, 4.72 consumption units, as against 5.02 persons, 4.41 consumption units in a worker's family as studied in December 1941-January 1942.

434 The total income of the Chinese salaried family studied averaged
465 $688.38 per month. Earnings of the husband accounted for 84.96
511 per cent, those of other family members only 3.95 per cent. The salaried family, as did the workers family, had to obtain other income; 11.09 per cent came from sub-letting rooms, interest and dividends, gifts and assistance, profits on speculation and gambling.

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Expenditure averaged $885.43 per month. With average earnings at $611.35 the family faced a deficit of $274.08 per month. The total earnings of all family members and other income were still insufficient: the deficit was $197.05. Besides the items of normal income and expenditure there appeared in the budgets of the families "other receipts" and "other disbursements" showing how the deficit was offset and a little cash surplus on hand was secured. Such receipts and disbursements were, in fact, not real income or expenditure, but a number of balancing items like bank withdrawals, borrowing, savings and lending. Other receipts averaged CNC$282.27 and other disbursements CNC$35.62 per family per month. The total family income plus other income plus other receipts totalled CNC$970.65: the aggregate disbursements, *i.e.* consumption expenditure plus non-consumption outgo plus other disbursements totalled CNC$921.05, leaving a cash surplus of CNC$49.60 per family. The records show that more was drawn from than was put into the bank: more was borrowed than refunded. Fifty families lived partly on bank drawings; 38 on loans recovered; 27 on sale of used articles; 46 on borrowings, 10 on receipts from pawned articles. It was stated in many records that earnings had been practically used up in the period since the outbreak of Sino-Japanese hostilities in 1937, and that borrowing had become more difficult in the recent period of stringency.

Belonging to the so-called "long gown" class, Chinese salaried employees occupy a difficult social position, particularly those in the lower income groups. It is obvious that the original base pay of pre-war days was too low, hence adjusted pay was insufficient. There were many children to support: among 92 families were 345 children. There was also the burden of other dependents—an average of 1.15 per family. There were necessary expenditures on social intercourse and on maintaining a social standard, usually in connection with the position held by the head of the household. There is evidence that employees worried over rising prices, securing daily necessities, using up of savings, uncertainty of employment, and were obsessed with other fears. There is certainly need for adjustment in the livelihood of salaried employees, adjustment which of course must be dependent on political developments.

By comparison the cost of living of Chinese salaried employees rose slightly less than did that of workers in the period from 1936

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should be granted only through the Council; and the Council in turn would allot it only to those merchants who would sell to retailers at a price fixed from time to time by the Council. As a means to control the final sale to the people, the Council sought and obtained from the Consular Body approval of a Byelaw empowering it to control prices at retail. On November 9, 1941, a Proclamation fixed the retail price of all imported rice at $130 per *shih*. The registration of all stocks of rice and flour was called for, and all movement of these commodities without a permit was forbidden as a means to keep them under control.

THIS WAS THE FOOD situation when Pacific hostilities supervened on December 8, 1941. It was fortunate that controls over essential commodities had begun, for there was thus in being the nucleus of what was, within six months, to become an extensive organisation controlling the issue and price of rice, flour, and other commodities. The Council had even, before December 8, examined in some detail what would be involved in rationing.

Soon after the opening of 1942, the Council issued a notification requiring holders of stocks of imported rice and of flour to deliver them against delivery orders issued by the Council, thus requisitioning at a fixed and fair price the stocks which the city held. It proved fortunate that in the early months of 1941 the hope of gain had induced many merchants to import large stocks of rice, for these proved sufficient to meet the needs of the Settlement and Concession at the reduced consumption rate required by the Japanese authorities during the first five months of the year. Indeed, in this outcome lay some justification for the lack of earlier rigid price controls which might have acted as a deterrent to importers. Stocks of native rice were not taken into consideration since, as has been shown above, the Japanese military had controlled the collection of native rice for the previous two years, using it for their own purposes and allowing virtually none to reach Shanghai.

The methods used in the spring of 1942 for the husbanding of precious stocks of imported rice were: reduction in the number of shops licensed to sell rice, fixing the number of days on which rice could be bought at three each week, limiting the selling hours on these days and reducing the amount of each sale to one *shun* (1.72 pounds) to any one person. There were in consequence long rice

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queues, and the great urge to obtain rice and fear of being without this staple caused those standing in them to crush closely against the next in line. There were frequent cases of injuries despite the efforts of the police to control the lines. Because of this situation, "rice rustlers" stood in the queues, securing the amount permitted to be bought, which they then sold at more than the official price. It was a relief when the plan for the issue of rice ration tickets finally was approved by the Japanese authorities and was put into effect in July 1942. The distressing rice queues disappeared.

The price of rice rose steadily in the months after the institution of control. The difficulty of getting rice in the queues induced farmers in the nearby countryside to smuggle in native rice which was sold at high prices up to CNC$550 per *shih* of 172 pounds. The Japanese authorities requested the Council to forbid the movement of native rice in the Settlement, as a means, it was claimed, to bring down the price in the provinces. The Japanese authorities had to buy rice there, and, it was argued, the high prices ruling in the city induced higher prices in the provinces. It was contended that Shanghai's future rice supply, when the stocks of imported rice should be finished, must come from the provinces, and it would be to the ultimate advantage of the Settlement population if the purchase could be on reasonable terms. It was known, however, that the native rice must be considerably higher in price than the imported rice when it finally came to be supplied, and therefore at intervals the price of imported rice was raised to ease the ultimate transition to the native rice price, and to build up a fund in the Council's treasury to permit native rice to be sold at a loss if need be. Japanese authorities made available some, but not sufficient, rice from May 1942, when the stocks of imported rice were used up.

The fixing of the saleable quantity and of the price of rice and flour and flour products such as noodles, *ta ping* or big flour cakes, and many other items was only part of the emergency measures undertaken to secure essential commodities. Before Pacific hostilities developed, through an Association of Importers and Manufacturers, the prices of several hundred packaged goods, foods and drugs chiefly, were fixed. Fixing of the prices of coal and coal briquettes followed. Prices for milk were declared. Stocks of tinned milk were requisitioned and kept for children and invalids. It was

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a matter of regret that control of vegetable oils, so important in the cooking of a Chinese family, could not be exercised by the Council. The Japanese regarded these commodities as materials of war. But stocks found their way uncontrolled into the market. In the case of sugar also, the Council was not permitted by the Japanese authorities to exercise controls.

The cost of living continued to rise despite the efforts of the Council to control the prices of the most significant items as indicated in the preceding paragraphs. The rise was particularly evident when, toward the end of May, Chinese National Currency depreciated day by day till two national currency notes were equal to one Central Reserve Bank note issued by the Nanking Chinese authorities. Prices then naturally rose in terms of Chinese National Currency. When, in June, it was announced by the financial authorities that Central Reserve Bank notes would henceforward be the only legal currency, most shopkeepers merely altered the enhanced National Currency prices unchanged into prices expressed in Central Reserve Bank notes, automatically doubling them. The Council attempted to halt this process by issuing a notification that prices should not exceed those of the last week in May, but with little success. Shopkeepers claimed that replacement costs would exceed the prices of the end of May.

It became apparent therefore that extensive machinery to examine the fair selling prices of a wide range of commodities must be set up. Prices for many food items, including milk, were carefully examined: the selling prices for woollen, silk and cotton cloth of standard grades, and of shoes, were studied: and many other items and services came under close scrutiny.

To enforce selling at official prices, the selling of permitted quantities, to penalise those who refused to sell, who did not display price tags, who moved goods without a permit or without a valid permit, or who did not comply with other emergency regulations, some enforcement machinery had to be set up. For a time after December 8, 1940, the Court, formerly staffed by Chungking-appointed judges, did not function. Later it was taken over by Nanking authorities. But enforcement of emergency requirements could not await the re-opening of the Court, nor, it was felt, could the already overworked Court handle the many cases of infraction of new regulations. Accordingly an enforcement machinery was

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established within the Council's administration. Those found infringing the regulations were given opportunity to show cause why they should not be penalised and thereafter, if found guilty, were given an option of having their licences withdrawn, their premises closed, or making a money payment. Most chose the last-named course.

The machinery worked well and justly, but was an instrument of enforcement only. If initial policies were not well based, failure to control could not be laid at the door of the enforcement office. The weakness of the whole of the Council's efforts at price control was that in practice the Council could attempt the enforcement of prices at retail only. It had actually obtained an alteration to Bye-law 51 to permit it to control wholesale prices, but in fact control of prices of all commodities in wholesale quantities was in the hands of the Japanese authorities, chiefly the Asia Development Board, the economic organ of the army. Without ability to control wholesale prices, control at retail was ineffective to influence sufficiently the cost of the people's living.

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When rationing was instituted, the average ration of rice was 1½ *shun* per person per week. For workers in municipal and public utility enterprises a total ration of 4½ *shun* per week was allowed, and for those in other industrial enterprises, 1½ *shun* per worker in addition to the ordinary civilian ration. The normal civilian consumption of rice was thus cut by about three-fifths, according to figures of consumption obtained in standard of living studies. As a compensation a flour ration considerably larger than the usual flour consumption was given. The people did not, however, take up this large flour ration. Flour is a product which requires the possession of cooking facilities to deal with it. Few simple Chinese households have anything more to cook with than a stove some eight inches in diameter, of earthenware usually, in which an open coal briquette fire can be built. Rice can be boiled on this, but flour cannot easily be cooked on it. Noodles, a flour product bought as such can be boiled on it, but free flour takes a basin and board, and other cooking facilities, before the flour can be used. The Division was able to urge with some success that the rice ration should more nearly comply with the known standards of consumption.

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466 A study of the livelihood of the pullers made by the Industrial
494 Division showed that the puller had each day to pay forty-seven
per cent of his earnings for the rent of his vehicle. The large
427 number of rickshas on the streets introduced an element of competition for "fares," with the result that, after a long day's work, a puller would sometimes find himself with only enough money to pay the rent for his ricksha. Moreover, a puller cannot work every day. If he pulls as many as twenty days in the month, it is all he can do. The long hours of running demand long resting periods, at least one day in every three.

494 The Council adopted the Committee's recommendations that
the rental should be fixed by the Council, and that, in order to
745 form a pullers' welfare fund, a sum should be added to the rental, which owners would collect and deliver to the Council when paying for their licences. This plan was in effect an elementary form of social insurance where the puller paid all the contributions, since they came from an enlarged rental, but the necessity for meeting many kinds of need precluded adequate arrangements being made for any one of them. An organisation arose, known as the Pullers' Mutual Aid Association, with trustees appointed partly by the Council and partly by the Chinese Ratepayers' Association. The number of pullers was so large that not all could benefit from the social work. One of the largest social programmes in the Far East nevertheless came into being with the "P.M.A.A." It operated tea and bath houses, a hospital for pullers, paid expenses in other hospitals, paid funeral expenses, operated schools for pullers and for their children, and served the group in many other ways.

494 Pullers had to register with the police. The turnover in pullers
464 was very considerable. A study made by the Ricksha Control Officer in July 1940 showed that only two per cent of those still pulling had been registered in 1934. In 1940 eighteen per cent were newly registered.

494 With rising living costs in the years after 1937, owners of public
427 rickshas petitioned regularly for permission to increase ricksha
434 rents. To enable them to pay higher rental charges, ricksha pullers
511 had to earn more. At intervals, and always prior to allowing any change in the hire charges, a study was made of the earning capacity of the puller. He proved able to adjust his earnings to his increased living costs and higher rental charges to a degree at first believed impossible.

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believed impossible. Based on 1934 standards, which of course represented an inadequate livelihood, his real earnings index was 93.48 in 1939; and in 1940, when three separate studies were made, it was between 93.59 and 108.93. The tendency persisted.

It is doubtful whether the authorities succeeded in ameliorating the puller's lot to any material extent. His standard of living was low in 1934 and apparently did not improve. What remained a puzzle is why he was ready to pull for so small a return. His monthly earnings failed by a considerable margin to meet the minimum needs of a worker's family.